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ABSTRACT

The federal government must undertake action to direct and speed the transitions of dislocated workers to new employment. Dislocated workers comprise only 1 or 2 percent of the nation's 11 million currently unemployed workers. Cyclical macroeconomic factors are responsible for the high unemployment rate, not structural factors such as new technology or changing patterns of international trade. The total number of manufacturing jobs is steady, although constant change occurs. Research does not indicate that a displaced worker will experience greater reemployment difficulties than another unemployed individual. The level of funding for supportive services to dislocated workers appears appropriate, but the funds should not be used for retraining in specific occupational skills in high technology occupations. Instead, the federal government should (1) concentrate on the problem of functional illiteracy and provide the prerequisites for skill training, (2) persuade the private sector to invest more in training their current employees, (3) train dislocated workers in job searching and career management, and (4) provide short-term assistance teams for communities experiencing large-scale employment dislocation. (YLB)

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GOVERNMENT'S ROLE IN THE JOB TRANSITIONS OF AMERICA'S DISLOCATED WORKERS

by
Marc Bendick, Jr.

A Statement before the Committee on Science and Technology and the Committee on the Budget, U.S. House of Representatives

Hearings on Technology and Employment
June 9, 1983

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TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to participate in these hearings on the implications of new technology for employment in the United States. I am Dr. Marc Bendick, Jr., an economist with the Urban Institute, which is a nonprofit public policy research center in Washington, D.C.[1] I have devoted the past three years to examining the unemployment problems of workers laid off from America's so-called declining industries, the ways in which these workers make their transitions to new employment, and the roles which government can most usefully undertake in directing and speeding these transitions. These are the subjects which I will address today, particularly in relation to "new technology" as a source of change in our economy but also in relation to changes in the structure of the economy more generally.

I will begin by recalling to your minds an image which the news media flashed across the nation on April 6 of this year. On that day, President Reagan travelled to Pittsburgh to visit a CETA-funded training center where one hundred unemployed steel workers are being retrained as computer repair technicians. Through extensive newspaper and television coverage, the nation looked over the President's shoulder at what was purported to be the future world of American employment--a world where United States manufacturing jobs will have virtually disappeared under the combined onslaught of robot efficiency and cheap foreign labor; where every American worker is a highly-skilled technician engaged in an occupation not even imagined a generation before; and where intensive mid-career retraining not provided by employers will be required by millions of American workers caught in this overnight industrial revolution.[2] I want you to fix this image firmly in your minds--and then wash your minds out with soap. For this is a seriously

misleading image of the American economic present and the near-term American economic future. If it dominates our thinking about the problems of the labor force today, we will mislead individual workers in their career decisions, misspend scarce public employment and training resources, and retard rather than promote the growth and international competitiveness of the American economy.

Because time is brief, I will not attempt to describe the changing employment picture in the United States in its full complexity.[3] Instead, let me simply bring to your attention several facts not widely recognized in recent discussions of worker dislocation and unemployment. These facts will, I hope, convince you that the United States economy is engaged not in a disruptive and threatening "second industrial revolution" but rather in a generally tranquil and, in the long run, beneficient, industrial evolution. The appropriate role for government in this evolutionary change is quite different from that implied by the image of the President's visit to Pittsburgh.

Some Facts about the Role of Manufacturing in the American Economy

Reading the popular press, one is led to believe that worker dislocation--in the sense of the permanent disappearance of jobs from which workers are laid off--is epidemic in the American labor force. There is no doubt that in specific labor markets undergoing large-scale, permanent plant shrinkages or shutdowns--there are local epidemics of such permanent dislocation. These are occurring predominantly in a limited number of specific communities in the manufacturing frostbelt, such as Detroit, Youngstown, Flint, and Buffalo. Nationwide, my own estimates are that there are approximately one hundred thousand workers who are currently unemployed, whose old jobs have permanently disappeared, and who have not been readily absorbed by other job openings.[4]

But this one hundred thousand dislocated workers comprise only one or two percent of the nation's more than eleven million current unemployed. They even account for only about 10 percent of the total unemployed in their own industries and occupations. These cases of permanent changes in employment are occurring within a context of a very prolonged, very deep recession in the economy, combined with a sustained era of extraordinarily high interest rates. It is these cyclical macroeconomic factors--recession and high interest rates--which have put the majority--five or six million--of the eleven million unemployed out on the streets; it is not structural factors such as new technology or changing patterns of international trade. And when, slowly and painfully, we pull our national economy back out of this recession, the majority of the unemployed will go back to the jobs and the industries from which they came, or to very similar ones. This is predominantly true even in manufacturing and even in the traditional industrial frostbelt.

Those workers who will be left behind by an economic recovery, if government fails to act, will include many of those 100,000 or so dislocated workers. But they will be dominated by some four or five million disadvantaged workers--inner city, minority, teenage high school dropouts; women dependent on public assistance; low-skill, low-wage "working poor" adults; and other, similar groups in the labor market. Government has been seeking to address the employment problems of these groups for some twenty years now, through programs such as the Job Corps, the WIN program in AFDC, CETA-financed training and work experience, and, starting October 1, Title II of the Job Training Partnership Act (JTPA). The needs of these groups remain, and continued and expanded financial support of these public programs should remain a national priority.[5]

My optimistic conclusion with respect to the limited number of dislocated workers may seem at first implausible to you in light of some very widely publicized assertions about the American economy--namely, that dislocated workers number in the millions; and that the reason for that is that manufacturing jobs are a declining proportion of all employment in the United States. But cyclically unemployed workers should not be confused with structurally dislocated workers; and a declining proportion of jobs in manufacturing should not be confused with a declining number of jobs. Total American employment in manufacturing has held steady at about 25 million jobs for more than a decade; it has only represented a declining proportion of all jobs because the service sector has grown dramatically in the same period (from some 47 million jobs to 65 million jobs).[6] Recent statistical estimates suggest that this steadiness in the total number of manufacturing jobs which would be available in a nonrecessionary economy has continued even in the midst of the current recession.[7]

Of course, within this steady total number of manufacturing jobs, there is constant change. Certain individual plants, firms, and product lines close, while others open. That turnover creates local pockets of displaced workers--those whose particular job has disappeared and who must become reemployed elsewhere. But since the total number of manufacturing jobs is not declining, there should be no presumption that the majority of workers dislocated from manufacturing jobs must shift their career dramatically and seek reemployment outside of manufacturing.

Nor, indeed, is there a strong factual basis for a presumption that an individual unemployed from a declining industry--manufacturing or otherwise--will experience greater reemployment difficulties than an otherwise similar

unemployed individual from a stable or growing industry. My own empirical research failed to indicate that the long-term employment trends of an industry or occupation per se made much difference in how fast a worker became reemployed.[8] This sort of finding suggests that the category of "dislocated worker" itself may not be the most useful way to identify a worker in need of government assistance. Consistent with that notion, it is useful to recall the experience of the Trade Adjustment Assistance Program, which provided special benefits to workers who had "permanently" lost their jobs under the pressure of increased foreign competition. At one point, it was estimated that seventy percent of the benefits under this program went to workers who subsequently returned to the very same employers from whom they were supposedly permanently displaced.[9]

One particularly well-publicized aspect of the manufacturing employment issue is that of robotics, the replacement of relatively low-skilled mass production workers by "smart machines." Certainly the technological advances in this field are noteworthy, with a projected 30 to 40 percent annual growth for the robot population engaged in manufacturing.[10]

However, careful estimates of the total job displacement likely to arise from this source are dramatic largely in their smallness, not their largeness. The best available estimate, that provided by researchers at the W. E. Upjohn Institute for Employment Research, is that robots will directly substitute for between 100,000 and 200,000 workers over the decade of the 1980s. Taking the larger of these two figures, this estimate implies that 20,000 workers in manufacturing will face displacement each year — two workers out of 10,000 in the total U.S. work force, two workers out of 1,000 among today's unemployed, and one worker out of 1,000 among today's manufacturing work force. These

figures imply that no robot population explosion should be blamed as the primary source of today's massive unemployment; and they imply that planning for massive job displacement in the face of a robot population explosion would be an inappropriate national priority in the next decade.

Again, of course, there are individual workers who face readjustment problems because their jobs have been robotized. An there is at least one industry, according to the Upjohn Institute, where the displacement effect will be significant. This is the automobile industry, where between six and eleven percent of all operative and laborer jobs will be displaced by 1990. But even in this industry of the greatest impact, this projected displacement is only at the rate of one percent of the unskilled worker force or less per year. Given that typical voluntary turnover in manufacturing jobs may run as high as 20 or 25 percent a year, such displacment can typically be handled by attrition rather than layoff.[11]

A second source of concern over massive job displacement in American industry is that of the "export" of American manufacturing jobs to foreign countries with lower wage levels. It is clear that very high union wage scales -- sometimes more than $20 per hour in total compensation costs for workers with few special skills -- have contributed to the rapid loss of U.S. market shares in such industries as automobile manufacturing and basic metals production. But the picture in U.S. manufacturing more broadly is far less dramatic.

First, labor costs in much of U.S. manufacturing have not risen to levels which create extreme economic pressure to move jobs abroad or which create inordinate profit opportunities for foreign competitors. In fact, one of the major barriers to employment adjustment by workers laid off from industries

such as automobile manufacturing is that alternative manufacturing jobs open to them in the United States often pay less than half their previous wage.[12] The increasing involvement of the U.S. economy in international markets will certainly exercise a competitive discipline on U.S. wage levels, to keep them reasonably related to worker productivity. But that international competition will not necessarily lead to massive job dislocation because most U.S. wage levels do not seem extraordinarily out of line.

The second reason that the so-called export of jobs need not be viewed with alarm is that this process has been going on for many decades and for thousands of products in harmony with a growing and prosperous American economy. Indeed, it is one of the wellsprings of that prosperity, as the rising incomes of America's trading partners create expanding markets for U.S. products.

Economists have recognized for more than twenty years that individual manufacturing products tend to pass through a "life cycle" over time and that "export" of manufacturing production is a common and efficient later phase of that cycle.[13] In the early years of a product's lifetime, when the product is being designed, developed, modified, and introduced to its market, the work required on the product is largely nonstandard and skill-intensive. It is therefore efficient to perform this work with a comparatively high-skill, high-wage work force such as is found in the United States. Once the product has become standardized and when a mass market has been developed, competition in the product focuses more and more on the costs of production; and these costs can often be reduced by shifting the work to a lower-wage, lower-skill labor force, often in a newly industrializing nation such as Taiwan or Singapore.

The American economy has experienced this cycle over and over, for thousands of products and millions of jobs, over many decades. Today the product involved may be basic steel--or Atari computers; a decade ago, it was consumer electronics; and several decades before that, it was shoes and textile gray goods. The movement overseas of the production of a particular product is not fatal to the American economy or the living standards of the American work force, as evidenced by the fact that the decades which have seen this movement have also seen prosperity, rising living standards, and a rapid expansion of the American work force. If the wellsprings of research, development, and innovation generating new products at the "front end" of their life cycles were to dry up, then the American economy would be in trouble; but trouble is not signaled by the "graduation" of products in the latter stages of their cycles, even products which have become a familiar part of the American economic landscape.[14]

Defining the Dislocated Worker Problem

The message of this upbeat discussion of the American economy, of course, is not that we have no unemployment problems. More than eleven million unemployed workers testify clearly that this is not so. Rather, my point is that we must not accurately understand the nature of that unemployment if we are to address it effectively. There is little evidence which suggests that rapid structural change in the economy, technological or otherwise, is the root cause of the majority of the unemployment problems of today. Those problems are predominantly cyclical;[15] and, to the extent that they are structural, primarily involve disadvantaged workers rather than dislocated ones. There is little evidence which suggests that rapid structural change in the economy

threatens us with massive employment dislocation over the next decade. Serious employment dislocation of midcareer workers appears to be a problem of relatively limited magnitude--I have already mentioned 100,000 workers among the current unemployed as my own empirical estimate--and highly concentrated in time and space in a few dozen labor markets such as Detroit, Pittsburgh, Buffalo, Youngstown, and Flint.

I would see this magnitude of the problem--about 100,000 workers per year --requiring service over the indefinite future. Individual workers will, of course, not remain in that population for multiple years; but a constant flow of plant closures and other dislocations will repeatedly generate that number of new workers needing assistance. In his budget proposals for Fiscal Year 1984, President Reagan has asked for $240 million in funds for Title III of the Job Training Partnership Act, the title addressing the needs of dislocated workers. This level of funding is designed to support services to about 90,000 workers. In light of my estimates of the size of the dislocated workers problem, I would conclude that this order of magnitude of funding seems appropriate both for next year and for the years following.

Public Funding of Skill Retraining for Dislocated Workers is Not the Answer

The key question then becomes: How do we spend this money wisely? Again I would like to recall the image of President Reagan's visit to Pittsburgh, where he observed steelworkers being retrained as computer technicians. This image implies that the funds should be used to provide extensive retraining in specific occupational skills in new, "high tech" occupations. This approach is inappropriate for a number of reasons.

The first reason is that the vast majority of new job openings which will be created by the American economy in the next decade are not in glamorous new "high tech" occupations but rather are in traditional occupations for which workers displaced from declining industries may already have the requisite skills. The U.S Bureau of Labor Statistics projects, for example, that between 1980 and 1990, there will be 700,000 new job openings for secretaries; 500,000 openings for truck drivers; 500,000 for nurses' aides; and 500,000 for janitors.[16] In the same era, according to the Upjohn Institute study cited earlier, the number of job openings created in all phases of the robotics industry--design, manufacturing, operations, and maintenance--will be between 30,000 and 60,000.[17] New, high tech occupations may have spectacularly high percentage growth rates--the population of robotics technicians may be growing at 500 percent per year--but the total number of jobs is very small, compared to the numbers available in traditional fields.

The second reason for approaching suggestions for massive government investment in skill retraining with skepticism is that those job openings which will be created by the newer, high tech industries do not necessarily require higher skill content than more traditional jobs; indeed, in many cases, the growing sophistication of the machines with which employees are paired means that the skill level of the job itself can be reduced.[18] Consider, for example, the role of the maintenance worker charged with keeping an assembly line robot in operation. When an arm of that robot ceases to function, the maintenance worker does not halt the assembly line and skillfully diagnose and repair the problems of the arm. Rather, he simply replaces the arm module with a new one and probably discards rather than repairs the malfunctioning one. A similar example is provided by word processing machines which now can correct the spelling of badly trained typists.

The third, and perhaps the most important, reason for government to avoid the role of mass skill retraining for dislocated workers is to be found by examining the training role of private employers in the absence of government action. The training function in American private industry is massive in scale, currently estimated at some $30 to $50 billion in expenditures annually,[19] or some ten times larger than the scale of the entire Job Training Partnership Act. Businesses train and retrain workers all the time, as part of their routine costs of doing business. They provide training to keep employee skills up to date, to provide upward mobility, and to permit lateral changes as products and production processes change. Yesterday's secretary becomes today's word processing technician not by firms' laying off armies of obsolete secretaries and hiring different individuals who arrive with word processing skills; rather, they send their current secretaries to a week's training, and then the secretaries obtain further practice on the job. Similarly, newly-created robot maintenance jobs on auto assembly lines are being filled primarily by modest, company-provides retraining for employees who already were at work in the plant as electricians or millwrights.

In parallel fashion, when firm expands their labor force, they often hire large numbers of raw trainees and then train them for their specific requirements. This process creates many opportunities for reemployment of dislocated workers without specific job skills. However, a jobseeker will often be left behind in this uptake if he is not an attractive trainee; and, all too often, that is a key problem for many dislocated workers. My own empirical research on dislocated workers nationwide suggested that about one-third do not possess a high school diploma, and perhaps another one-third possess a diploma but cannot read, write, compute, or reason at the skill level

promised by that credential.[20] Functional illiterates do not make safe, flexible, productive, or easily-trained employees; that, rather, than their lack of specific job skills, is what screens them out of job opportunities.

If the federal government wishes to utilize its modest-scale training resources wisely, it will concentrate on this problem of functional illiteracy--on providing the prerequisites for skill training--rather than on skill training itself. Thay way, public monies will complement, rather than substitute for, the large volume of private industry skill training available to training-ready individuals. To achieve this end, I would propose a new public program which would offer to every unemployed individual who cannot currently function at the skill level of a high school graduate the opportunity to acquire these skills (and to acquire a high school diploma if he does not already possess one). This offer should, I believe, include two elements:

- The availability of an adult school--tuition free, locationally accessible, and designed to serve midcareer adults who are often not comfortable in a traditional classroom setting,[21] and
- an income maintenance stipend, at the level offered by unemployment compensation, while receiving this training.

I also believe that it makes sense to extend this offer to all unemployed persons, regardless of whether they are dislocated from a declining industry or are unemployed from some other background (although, as I have just said, a great many dislocated workers will readily qualify).

A second useful role for the federal government to undertake in relation to worker retraining would be to revise several anachronistic federal policies which set up barriers to individual workers' investment in their own retraining. The federal income tax, for example, allows an individual to deduct educational expenses if they are related to maintaining his skills in his current occupation but not if they prepare him for a new occupation.

Similarly, in all states of the nation except California, unemployment compensation is available only to those workers who are "available for work," and a person enrolled in full-time training is judged not available. An unemployed individual interested in training for a new occupation either must wait until his employment compensation eligibility is exhausted, or he must give up the wage replacement income on which he is depending. Understandably, this situation reduces or delays the participation of many workers in retraining.

Persuading the Private Sector to Invest More in Training Their Current Employees[22]

Finally, the federal government, I believe, should act to raise the level of investment by American industry in retraining their current workforce. A few minutes ago, I was emphasizing to you the huge magnitude of expenditures--perhaps $50 billion per year--which private firms currently expend on training. Large as this number is, there is reason to believe that it is still less than the socially optimal level of investment for the American economy and the American people. Due to the presence of what economists refer to as "private market failures," the American private sector acting alone persistently underinvests in the skills needed by its own work force. These market failures hamper both investment by employers in training their current employers and employees' investment in training themselves.

In the case of employers, investment in worker training, like any other investment decision, is decided upon in terms that return on this investment. When workers are free to move from company to company, it is risky for an employer to spend thousands and thousands of dollars to give a worker a skill in great demand, because that firm's competitor will try to hire that worker

away the minute his training is complete. When all employers together react to this fact, we get a situation where everyone needs a skilled labor pool but nobody will pay for it.

As for employees, we do see a great deal of self-investment by workers. When a high school graduate goes to college, or when you or I take a job despite a low wage but "because it is good experience," that is precisely what is going on. But in an era of rapid economic and technological change, more and more workers are faced with the need to make a major investment in their own retraining at midcareer. Such bouts of midcareer formal training are difficult for workers to finance. First, they require quite a cash flow, both to pay for the instruction itself and to support the worker and his or her family while the training is proceeding. This can be a particular problem if the worker wishes to undertake retraining when unemployed, when cash flow is tightest. Second, because formal midcareer training is very expensive, individuals may be reluctant to undertake such a sizeable investment when there is no certainty that it will pay off. And finally, there is a problem of information: Individuals may not be well enough informed about trends in the labor market to pick the right field in which to be trained.

The training gap between what the private sector is currently providing and the ever-increasing training needs of society can be effectively addressed by a new federal initiative. A model for this federal action can be found in the French experience. Since 1971, the French have operated a national system for financing worker training which creates an effective public-private partnership to address exactly the problems outlined.

The key element of the system is what the French refer to as an "obligation to spend," enforced by a payroll tax if that obligation is not met.

Each employer of ten or more employees has, by law, an obligation to expend an amount equal to 1.6 of its total wage bill to maintaining and expanding the skill level of the French labor force. If the firm chooses to train its own workers and spends at least the 1.6 percent minimum, then its obligations are discharged. Or the firm may meet the requirement by participating in and financially supporting an industry-wide training fund (usually operated cooperatively between employers' associations and trade unions). Or the firm may donate the funds to a government training center. But the firm might as well spend on one of these forms of training, because if it fails to meet its obligations to spend, then the unspent balance of the 1.6 percent is due to the government as a payroll tax.

One of the advantages of such an approach is its flexibility and decentralization of decisionmaking. Funds may be used for preventative training (to avoid layoffs by retraining workers for new products and processes), for the training of newly hired workers (including apprentices), for occupational advancement of workers, for the maintenance of old skills, or the acquisition of new ones. No vast amounts of money flow into and out of the public treasury, and no government central plans or decisions constrain what a firm may do. Yet each firm has a profit incentive to use its training resources wisely, and all firms together are required to maintain a high level of sustained investment in the French workforce.

Such a system could be adapted in the United States, either directly or through one of several incremental strategies. One of the incremental strategies would involve reprogramming for training purposes some of the payroll tax fund already collected for unemployment insurance. The state of California has taken a step in this direction by reducing its payroll tax for

unemployment insurance by one-tenth of one percent and creating a new payroll tax in the same amount for worker retraining and other adjustment programs. Another incremental approach would be to impose this obligation to train initially on the defense industry, where government purchases already create both a prosperous growth period and a basis for federal intervention. Chairman St. Germain of the House Banking Committee has recently introduced proposals to this effect in discussions of the proposed Defense Industrial Base Revitalization Act.

Whatever strategy might be adopted for implementing the approach, the idea should have a broad appeal to a variety of important constituencies. The leadership elements of the business community should be as enthusiastic about this approach in the United States as they are in France. After all, most major corporations already invest heavily in training. Their obligations under this system would typically be discharged by their current level of activity, while their less active competitors (who have been stealing their staff) would be forced to carry their fair share. At the same time, the leaders of labor should be enthusiastic about a system which assures a sustained level of resources to make workers participants in and beneficiaries of technological change. A higher level of general labor force training would prevent a good deal of worker dislocation by providing resources for in-house retraining as a substitute for dislocation, while currently-dislocated workers would be benefited by new entry-level employment slots which would be created as current employees move upward via training. Taxpayers stand to gain from reduced unemployment insurance and public assistance claims, and we all stand to gain from enhanced national productivity and international competitiveness.

Training Dislocated Workers in
Job Search and Career Management

While publicly-provided skill training is, as I have emphasized, not a promising place for use of public resources in the reemployment of the majority of dislocated workers, assistance and training in the job search process probably is a useful public role. There is, of course, wide variation among dislocated workers, as in any large population, in the level of job search skills and resources which individuals possess. But a substantial proportion of such workers have, prior to becoming dislocated, enjoyed long tenure with one employer. Their job search skills, which may never have been extensive, are therefore often rusty from disuse. They have not, within recent memory, been faced with the challenges of writing a resume, presenting themselves in job interviews, thinking through the transferability of their past job skills to a different occupation or industry, or searching for jobs not publicly listed. Additionally, the experience of becoming unemployed after an extended period of job stability is emotionally traumatic for many workers, making various forms of encouragement potentially important in overcoming lethargy. Finally, a course, many dislocated workers become unemployed as part of plant closures or mass layoffs or in a locale of general economic decline. In such circumstances, run-of-the-mill types of job search approaches--such as asking friends and relatives or checking for postings at local plant gates--may be inadequate, whereas they might have sufficed in more favorable circumstances.

One currently-fashionable mode for providing transition services which addresses these problems is the "job club."[23] A job club is a temporary alliance of job seekers who meet regularly to provide aid and mutual reinforcement to each individual's job search.

The operating mode of a job club typically includes the following elements:

- o A membership of no more than 25;
- o Regular meetings for substantial amounts of time (e.g., half a day three times per week);
- o Explicit training on specific job search and self-presentation skills (e.g., resume writing, interview techniques); extensive use of practical exercises and role-playing in this training;
- o Provision of job search materials and facilities (newspaper want ads, telephones) for actual job-seeking during the meetings; and
- o An atmosphere of peer pressure and support for a sustained level of search activity.

In short, the job club is a mechanism for encouraging and assisting individuals to work hard and effectively in making their own reemployment transitions; they do not operate on the principle of a formal labor market intermediary institution finding jobs for them.

Such an approach tends to be cost-effective both because it costs relatively little per client served (perhaps $700 or so) and because it provides only the relatively minimal level of transition assistance many dislocated workers require. Sponsorship of job clubs or similar relatively inexpensive job search assistance mechanisms is one useful way to expend funds to be made available under JTFA Title III. The Downriver Community Conference demonstration program, which for several years has been providing reemployment assistance to workers laid off from the Detroit-area automobile and automobile-related industries, offers one example of such services being skillfully and effectively provided.

While such assistance to pockets of dislocated workers will prove helpful in the short run, federal attention should also turn to the longer run question of how job vacancy information is processed in the American economy. The reemployment problems of dislocated workers and the challenge of structural

change in the economy are not uniquely associated with this larger question, but they do raise the question with particular urgency. For, despite the fact that the 1980s is an era of an unprecedented revolution in information technology, the United States remains in the horse and buggy era in terms of the exchange of information concerning job opportunities and job seekers. For most persons looking for employment, the job search process is a hit or miss affair of asking friends or applying in person at local plant gates. At one step of greater sophistication, newspaper ads or employment agencies are consulted, although they offer information about only a fraction of vacancies. The federal-state employment service ("Job Service"), in operation since the 1930s, corners only a small fraction of the placement market, concentrates mostly on low skill or entry level jobs, and all too often offers only outdated or incomplete information on clumsy card files or microfiche systems.

Consider, in contrast, the situation in the nation of Sweden. There, a single nationwide computerized job file records every job vacancy in the nation. Employers are required to report all vacancies to the employment service (studies indicate that more than 90 percent of vacancies are actually reported); these vacancies are coded and entered into the system each evening; and the file can be searched by every employment service placement counselor in the nation through computer terminals in all local employment service offices. Sophisticated software allow file searching in a variety of different ways or at different levels of specificity. ("There are no openings for welders in Stockholm. Let's check the rest of the country, or let's check for jobs which require welding as a secondary skill.") It also allows a worker's credentials

to be stored in the system to be tested against newly-listed vacancies each night, with the employment office automaticaly notified in the morning of a possible match.

There is no reason why the United States, the most computer-sophisticated nation on earth, could not implement an equally advanced system. We would probably structure it somewhat differently from the Swedes, of course, because of important differences between our two countries. For one thing, we might wish to develop a series of local-area job banks and/or occupationally-specific job banks, rather than a single nationwide job file for a labor market as big as the entire United States. Second, we might wish to provide a role for private employment agencies (which are illegal in Sweden) --perhaps as the "retail" point of client interface with the system. But federal leadership is essential to develop and operate the basic system itself, as a new, twenty-first century form of information public utility. Both employers seeking good employees and job seekings looking for opportunities stand to benefit. Dislocated workers would be one of many groups in the labor market who would particularly benefit.

A Federal Role in Providing Short-Term Assistance Teams for Communities Experiencing Large-Scale Employment Dislocation

One final useful form of federal action in addressing the problems of dislocated workers would involve taking explicit account of the clustering of dislocation problems in time and space which I have previously mentioned. However gradual and smooth the pace of economic change may be when viewed from a lofty national perspective, change actually proceeds by very specific plant shutdowns and mass layoffs in specific labor markets; and at the local level, each such event can be a major disaster.

When that disaster strikes, local adjustment resources become swamped. I would therefore propose that one use of resources under Title III of the Job Training Partnership Act would be to finance a special institution to provide large-scale, rapid, flexible, short term assistance in "crisis locales."

This institution might be modeled on an innovative Canadian government agency called the Manpower Consultative Service (MCS). The operations of the MCS can be briefly described as follows:[24]

- When a plant shutdown or mass layoff situation arises, the MCS becomes involved immediately and temporarily (e.g., for a six month to twelve month period). Thus, it supplements established local labor market institutions at a time of peak demand.

- MCS's major role is that of coordinating, facilitating, and encouraging the mobilization of local resources, primarily those of local employers and local unions, into a committee. It brings in a modest amount of matching funds for administrative expenses and the services of a case officer, but local government and private resources must also be contributed.

- All workers involved in the job reduction are contacted to see if employment assistance is desired. (Typically, 70 percent respond affirmatively.) Each individual expressing interest is then interviewed individually to determine the most appropriate form of assistance.

- Those workers who need or desire career counseling, training in job search skills, retraining, or relocation assistance are referred to the Canadian equivalent of the Job Service for such assistance.

- The major form of assistance provided to most workers--some 64 percent of all cases--is direct placement assistance. Here, the key role which the MCS and local committee play is to bring into the open jobs in the "hidden labor market" (i.e., those jobs which are typically filled by word of mouth).

As I would envision something like the MCS in operation in the United States, it would copy some aspects of the Canadian approach and modify others. For one thing, U.S. Job Service is not generally equipped to provide career counseling or training in job search skills. Therefore, an MCS-like agency would have to bring in the necessary skills and resources. Second, I would see an MCS-like intervention being triggered not only by a mass layoff or plant

closing but also by long-term regional decline or persistent unemployment. Third, I would open these services to all persons in the labor force in a locale, not just those directly affected by a layoff; this is because all job seekers in a labor market have increased difficulty finding jobs following a layoff because of the increased competition from those laid off. Along with these modifications, however, I would preserve other aspects of the MCS approach: it role as a supplementer of existing services on a short-term basis, its tailoring of services of the needs of each individual worker, its nonbureaucratic style of operating, and its emphasis on mobilizing and enhancing local resources.

Conclusions

In conclusion, Mr. Chairman, I would like to summarize my message for federal policy in three key points.

- First, there is no reason to believe that technological change--or any other form of structural economic change--threatens the American labor force with a cataclysmic readjustment problem over the next decade; there is no basis for blaming the majority of our current unemployment problems on such change rather than on a terrible cyclical recession; and there is no reason to act to halt or slow the ongoing pace of change.

- Second, there is little basis for anticipating that the federal government will be required to spend billions of dollars on reemployment assistance to dislocated workers over the upcoming years. The number of such workers is probably on the order of 100,000 or so a year, not millions; funding of the Job Training Partnership Act's Title III at about $240 million per year seems approximately to cover the problem; and those funds should be spent primarily on relatively cheap and short term forms of assistance--such as job search training and short-term assistance to severely impacted communities, rather than on extensive and expensive worker skill training.

- Third, there is a role for federal leadership in reforming some basic institutions of the American labor market, to make that market function more smoothly and efficiently for dislocated workers and nondislocated workers alike. New incentives to raise the overall level of worker training by American industry--perhaps modeled on a French institution;

new public job banks for computerized cataloging of job vacancies--perhaps modeled on a Swedish approach; new, flexible institutions for short-term assistance to local labor markets in distress--perhaps modeled on a Canadian idea; reforms of certain "anti-training" provisions of the federal income tax and unemployment insurance program; and establishment of a new effort to provide pre-training basic literary skills to the adult unemployed--these are the areas in which federal leadership and innovation are called for.

With such leadership and innovation, we may be confident that technological change, as well as other structural change in the American economy, will spell more employment, more prosperity, and more growth for the United States.

FOOTNOTES

[1]Opinions expressed in this statement are my own and do not necessarily reflect those of the National Commission for Employment Policy (which supported some of the research discussed herein), The Urban Institute, its trustees, or its other sponsors.

[2]Among recent writings in this tradition are Barry Bluestone and Bennett Harrison, The Deindustrialization of America (New York: Basic Books, 1982); Robert Ayres and Steve Miller, Robotics, Applications and Social Implications (Cambridge, Ma.: Ballinger, 1983); and Pat Choate, Retooling the American Work Force (Washington, D.C.: Northeast-Midwest Institute, 1982).

[3]For such broader discussions, see Isabel Sawhill, "Human Resources for the 1980s," in G. William Miller (ed.), The Regrowing of the American Economy (Englewood Cliffs, N.J.: Prentice Hall, forthcoming), and Martin Feldstein (ed.) The American Economy in Transition (Chicago: University of Chicago Press, 1980).

[4]See Marc Bendick, Jr., and Judith Radlinski Devine, "Workers Dislocated by Economic Change: Do They Need Federal Employment and Training Assistance?" in Seventh Annual Report: The Federal Interest in Employment and Training (Washington, D.C.: National Commission for Employment Policy, 1981), pp. 175-226.

[5]On the employment and training needs of the disadvantaged, see Marc Bendick, Jr., "Employment, Training, and Economic Development" in John Palmer and Isabel Sawhill (eds.) The Reagan Experiment (Washington, D.C.: The Urban Institute Press, 1982), pp. 247-270.

[6]See James Cook, "You Mean We've Been Speaking Prose All These Years?" Forbes, (April 11, 1983), pp. 142-148.

[7]See Isabel Sawhill, "Creating Jobs: Options for the 98th Congress," Testimony before the committee on the Budget, U.S. House of Representatives, Feburary 8, 1983, p. 7.

[8]See Bendick and Devine, op. cit., and Marc Bendick, Jr., "The Role of Public Programs and Private Markets in Reemployment Workers Dislocated by Economic Change," Policy Studies Review, forthcoming 1983.

[9]See Walter Corson et. al, Final Report, Survey of Trade Adjustment Recipients (Princeton, N.J.: Mathematica Policy Research, 1979).

[10]See H. Allen Hunt and Timothy L. Hunt, Human Resource Implications of Robotics (Kalamazoo, Michigan: W. E. Upjohn Institute for Employment Research, 1983).

[11]Use of attrition implies, of course, that the number of job openings available to new labor force entrants in these industries and occupations will be smaller than otherwise. Thus, the major focus of public efforts to train individuals for the occupations of the future and to draw them away from declining occupations should be on today's school age population, not on midcareer adults.

[12]For example, according to the U.S. Bureau of Labor Statistics (reporting in Employment and Earnings, May 1983), the average hourly wage in U.S. manufacturing was only $8.78 per hour. Primary metal production (including basic steel production) and transportation equipment manufacturing (including motor vehicle assembly) were each more than 30 percent above this average, but electronic equipment manufacturing was five percent below the average.

[13]See Raymond Vernon," International Investment and International Trade in the Product Cycle," Quarterly Journal of Economics (May 1966), pp. 190-207.

[14]However, the speed with which a product moves through this life cycle is very often open to influence by corporate management. Investment in modernizing the technology of U.S. plants will tend to keep production in the United States longer. So will marketing strategies which emphasize continued innovation in response to specialized customer requirements rather than mass production of a standardized product.

[15]To say that they are cyclical, of course, is not to say that they should be ignored. Rather, they should be addressed--but by various programs for bridging workers' income gaps until their old jobs return rather than by assistance designed to transition these workers to new industries and occupations. Such bridging assistance might particularly focus on health insurance coverage and on continuity of mortgage payments; and it might include earning opportunities in countercyclical "soft public works" or public service employment programs. For some disucssion of these options, see Marc Bendick Jr., "Reemploying Dislocated Workers — Five Strategies for Pennsylvania," Testimony before the House of Representatives' Committee on Appropriation, Legislature of the Commonwealth of Pennsylvania, March 9, 1983.

[16]See Robert J. Samuelson "The Old Labor Force and the New Job Market," National Journal (Feburary 26, 1983), pp. 426-431, and A.F. Ehrbar, "Grasping the New Unemployment," Fortune (May 16, 1983), pp. 106-112.

[17]See Hunt and Hunt, op. cit.

[18]See Henry M. Levin and Russel W. Rumberger, The Educational Implications of High Technology (Stanford, California: Stanford University Institute for Research or Educational Finance and Governance, 1983).

[19]See Seymour Lusterman, Education in Industry (New York: The Conference Board, 1977).

[20]See Bendick and Devine, op. cit.

[21]Many midcareer blue collar workers have relatively little recent experience with being in a classroom, and they may never have been comfortable with a school setting even when young. Therefore, effective programs of midcareer retraining need to adopt special training techniques and to develop "nonschool-like" atmospheres to serve adult learners effectively. For some ideas on adapting to the learning needs of adult workers, see Marc Bendick Jr., "The Swedish 'Active Labor Market' Approach to Reemploying Workers Dislocated by Economic Change," Journal of Health and Human Resources Administration, forthcoming 1983.

[22]For a more extensive version of this section, see Marc Bendick, Jr., and Mary Lou Egan, Recycling America's Workers: Public and Private Approaches to Midcareer Retraining. Washington, D.C.: The Urban Institute, 1982.

[23]On job clubs, see Marc Bendick, Jr., "The Role of Public Programs...," pp. 23-25.

[24]On the Canadian experience, see Michael C. Barth and Fritzie Reisner, Workers Adjustment to Plant Shutdowns and Mass Layoffs (Washington, D.C.: ICF, Inc., 1981), and Marc Bendick, Jr., "The Role of Public Programs...", pp. 26-27.